

Four Steps to Successful CAT Onboarding and Certification

Tips to Help Your Firm Get Certified and Ready for Production in April 2020

The next six months will be crucial for moving the Consolidated Audit Trail (CAT) from concept to reality. For participating firms, that means completing the onboarding process as soon as possible according to FINRA's CAT onboarding guidelines for Phases 2a and 2b.

There is now a new date for firms to target. As part of the onboarding for Phase 2a, firms must pass production readiness testing by April 6, 2020 to be able to start reporting on April 20, 2020. For those who begin reporting with Phase 2b, production readiness must be completed by May 3, 2020.

Large industry participants are now working towards submitting a full day's worth of equities data by the April 6, 2020 deadline for Phase 2a – which will be followed quickly by Phase 2b for options in May 2020. There is a significant amount of work firms must do to get certified and gain official access to the platform for testing, and the onboarding process is very linear.

That means any delays occurring in one step will affect your firm's ability to move on to the next – potentially impeding production readiness for the first phase as well as future ones. If such delays get out of control, then your firm will not be able to start reporting.

Where is your firm in the onboarding process right now?

- Have you read all the documents and signed all the necessary legal agreements to gain entry into the CAT testing environment?
- Have you determined your default reporting ID?
- Have you begun to assign your account administrators for CAT?
- Have you signed up your reporting agents?

And most importantly, will you be ready for industry testing when it starts on December 16, 2019?

Your firm's progress over the next few weeks will greatly determine how smooth your implementation of future phases will be. With production certification solely based on technical and semantic validations, their importance is paramount in the short term. However, they should not detract from working towards implementing the more advanced validations that will be rolled out the remainder of 2020. Ignoring these items now will create a backlog of work that will impact your firm's ability to take up the analysis and development of Phase 2c, which will need to be completed in 2020 as well.



To ensure successful set-up, testing and validation, this tipsheet provides a brief overview of each step and provides useful guidance based on our experience helping to prepare firms for CAT.

- View the latest CAT reporting timelines [here](#) or [here](#).

1. REGISTER AND SIGN AGREEMENTS

If your firm handles orders or quotes in NMS equity securities, OTC equity securities or listed options, or is authorized to submit data to CAT on behalf of an industry member, you must register with CAT NMS Plan online now if you have not already done so. To complete registration, you'll need to know or obtain a valid Industry Member Identifier, or IMID.

On the form, your firm will need to indicate your primary and secondary source of CAT Reporting (self-reporting or vendor), preferred connectivity (SFTP and/or CAT Reporter Portal), the type of securities traded (equities and/or options), and your default CAT Reporting IMID. If you do not have an identifier assigned to you, then you should request an identifier from your Designated Examining Authority (DEA).

In addition, your firm is required to sign an agreement that will govern its use of the CAT system, including access to the system, limitations on the use of the system and security obligations. This agreement must be electronically signed prior to gaining entitlement to the CAT system.

By getting this step completed as soon as possible, your firm will be able to begin the process of setting up the necessary network connectivity and firewalls, which can be fraught with time-consuming obstacles (see Step 3). The longer you wait, the farther behind your firm will be with establishing internal security processes and external connections.

- Submit your CAT NMS Plan Registration Form online [here](#).

HOT TIP: Start investigating your connectivity and interface options now, as outlined in Step 3, as this process could be lengthy.

NOTE: If your firm chooses CenturyLink or BT Radianz for private line connectivity, FINRA recommends engaging with either provider immediately.

2. SET UP ADMINISTRATOR AND USER ACCOUNTS

Your firm can utilize its FINRA Super Account Administrator (SAA) as the primary entitlement contact. Once you submit and receive verification of the CAT Reporter Agreement, your SAA will be granted the ability to provide CAT access to your other users and set up account administrators to assist in maintaining user access to CAT.

If your firm does not have a FINRA SAA already assigned, then you must complete the New Organization SAA Entitlement Form online to designate an SAA and authorize the setup of the account.

Once FINRA grants your SAA access to the CAT Test Environment, your SAA can then create CAT Administrator accounts based on user type, and grant access to the CAT Reporter Portal which will be available starting November 18, 2019.

However, service providers may not have an existing framework set up since they are not Industry Members as are reporting firms. Therefore, service providers must go through a different process which could present some complications or delays.

- Set up your Super Account Administrator [here](#).

3. ESTABLISH REPORTING CONNECTIONS

Establishing redundant connectivity is a crucial step to preparing for daily data submissions. First, your firm will need to make decisions as to which connectivity method and interface option to use.

FINRA CAT offers several connectivity methods:

1. Private Line provided by a managed network service provider (MNSP)
 - Requires a contractual relationship with CenturyLink or BT Radianz
 - Provides help desk support, troubleshooting, status reporting through deployment
 - Available for connectivity testing in October 2019
2. Amazon Web Services (AWS) PrivateLink
 - Provides a secure cloud-to-cloud connection
 - Ideal for firms with existing operations and/or processing on AWS
 - Service is currently under development

3. CAT Secure Reporting Gateway

- Requires an authenticated, encrypted connection over the web
- Meets all plan requirements for data connectivity and encryption

- Access the full FINRA CAT Connectivity Supplement [here](#).

Interface options include:

1. CAT File Transfer

- Uses a machine-to-machine SFTP connection
- Accessible via Private Line or AWS PrivateLink
- Handles only data submissions, file status retrieval and error feedback

2. The CAT Reporter Portal

- Web interface for secure file submissions
- Accessible by any of the three connectivity methods
- Handles all eight CAT data submissions and feedback details

It is vital to be aware of potential delays each method may entail, which could affect your ability to meet the industry testing deadline. This is especially the case if any new vendor relationships need to be built, and agreements need to be negotiated and signed – which could take weeks or even months.

- Contact the FINRA CAT Helpdesk at 888-696-3348 or at help@finracat.com to ask connectivity questions and get support, initiate a request, and make changes to connectivity and interface methods.

4. TESTING AND READINESS CERTIFICATION

Your firm will need to perform production readiness testing to demonstrate its ability to successfully submit data to CAT by April 6, 2020. This will require the use of one day's worth of production data and will be limited to entitlements, file submissions and data integrity validations.

However, it is just as integral to conduct as much of your own internal testing as possible to get a handle on events and create CAT files in the appropriate formats, before testing begins on December 16, 2019.

Here are key questions to answer prior to doing your internal testing:

- Have you figured out all your anticipated test cases?
- Are you 100% sure that you are using test data that closely mirrors production data?
- How will you choose the day of production data to place in the test system in order to get certified?

Prior to industry testing, you must be assured that your firm is able to receive responses from the CAT system. This will eliminate the need to build in this capability during industry testing phase.

To get FINRA CAT certification, your firm will need to:

- Choose the day, the data and the method for running the test data through CAT
- Make sure your firm submits production-equivalent data
- Contact the FINRA CAT help desk and provide them with the processing date(s) on which the testing occurred

The bottom line: Do as much testing as possible. Allow for a clean-up process and realistically do your certification tests as soon as possible, well before the April 6 deadline.

HOT TIP: Don't wait until April 5 to do your certification test! Do thorough internal testing first: Check and double-check responses from the CAT system, clean up any errors, and do your certification test well before the April 6 deadline. This will ensure the biggest issues are already behind you.

AVOID MISSTEPS BY STAYING CONNECTED

Since most of the onboarding process involves decisions and tasks your firm must manage on its own, it is crucial that your teams understand all they can about CAT onboarding and validation. Otherwise, your firm may run the risk of having to repeat steps – or worse, the entire process.

Make sure you remain open to working with your technology partners, legal resources and compliance officers to ensure you have all the information you need to get ready for CAT certification and testing. As an expert involved in the CAT project every day since its inception, we are honored to help firms navigate key questions and obstacles that may arise. Feel free to contact us any time.

- View the CAT onboarding and validation guidelines [here](#).

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